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TO RUEHC/SECSTATE WASHDC PRIORITY 0703

INFO RUCNCIS/CIS COLLECTIVE PRIORITY

RUEHBL/EUROPEAN POLITICAL COLLECTIVE PRIORITY

RUEHHD/MOSCOW POLITICAL COLLECTIVE PRIORITY

RHEHNSC/NSC WASHDC PRIORITY

RHMFISS/DEPT OF ENERGY WASHINGTON DC PRIORITY

C O N F I D E N T I A L SECTION 01 OF 02 MOSCOW 003297

SIPDIS

DEPT FOR EUR/RUS, FOR EEB/ESC/IEC GALLOGLY AND WRIGHT

EUR/CARC, SCA (GALLAGHER, SUMAR)

DOE FOR FREDRIKSEN, HEGBORG, EKIMOFF

E.O. 12958: DECL: 11/13/2018

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----- SUMMARY -----

1.(C) TNK-BP Vice President for International Affairs Shawn McCormick told us November 7 that Russian shareholder German Khan has effectively taken over TNK-BP.

----- KHAN AND AAR TAKING OVER -----

2.(C) TNK-BP Vice President for International Affairs Shawn McCormick told us November 7 that AAR's months-long campaign to wrest operational control from Khan has failed.

3.(C) McCormick confirmed press rumors that former Norilsk Nickel head Denis Morozov has been chosen to replace CEO Robert Dudley, but stressed that he had no role in the selection process.

4.(C) According to McCormick, Russian shareholders Mikhail Fridman (Khan's Alfa partner) and Len Blavatnik (Amcits), are not interested in managing TNK-BP.

----- BP and the Barn Door -----

5.(C) McCormick noted that BP has assigned an experienced Russia-hand, David Peattie, as the new Group Vice President overseeing BP's interests in TNK-BP.

6.(C) However, McCormick said while these changes might have made a difference six months ago, they are too little too late to have an effect on the company's future.

7.(C) McCormick said the drive to reduce the foreign presence in TNK-BP was driven partly by the desire for control and partly to cut costs. Will Khan be forced to sell his stake?

----- GOVERNMENT TAKEOVER? -----

8.(C) McCormick said Khan's control of the company might prove short-lived. Well-placed contacts of his inside the Russian government had told him that Khan's days are numbered.

9.(C) XXXXXXXXXXXX However, if McCormick's sources are right, Khan and his partners will in turn be hoisted on their own petard as Rosneft and